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Message Text

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PAGE 01 DHAHRA 01025 150721Z

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ACTION NEA-10

INFO OCT-01 EUR-12 EB-07 ISO-00 /030 W
---------- 001337
R 120402Z AUG 76
FM AMCONSUL DHAHRAN
TO SECSTATE WASHDC 4930
USDOC WASHDC
AMEMBASSY LONDON
INFO AMEMBASSY JIDDAI

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E.O. 11652: N/A
TAGS: BEXP, EWWT, EGEN, SA
SUBJECT: DIFFICULTIES FACING BRITISH FIRM WITH CONTRACT TO
OFFLOAD CEMENT OUTSIDE DAMMAM PORT

REF: JIDDA 4761 (NOTAL), USDOC 13269 (NOTAL)

1. SUMMARY: OFFSHORE CONTRACTORS BERMUDA LIMITED, A BRITISH COMPANY WITH SOME US OWNERSHIP, HAS SIGNED CONTRACT TO OFF-LOAD TWO MILLION TONS OF CEMENT FROM SHIPS OUTSIDE DAMMAM PORT. OFF-SHORE HAS COMMITED ITSELF TO LATE-SEPTEMBER START-UP BUT IT LOOKS AS THOUGH IT WILL MISS ITS TARGET BY AT LEAST THREE WEEKS AND FULL OPERATIONAL CAPACITYICANNOT BE ATTAINED UNTIL LATE IN YEAR AT EARLIEST. BOTH SAG AGNECY CONTRACTING WITH OFFSHORE AND OFFSHORE'S SAUDI PARTNERS ARE PLAINLY NERVOUS ABOUT ABILITY OF BRITISH COMPANY TO LIVEVUP TO ITS COMMITMENTS. SITUATION IS OF INTEREST TO USDOC AS SAUDIS HAVE IT IN MIND THAT OFFSHORE IS US COMPANY AND ANY FAILURE ON PART OF OFFSHORE TO MEET ITS COMMITMENTS COULD WORK TO DISADVANTAGE OF US COMPANIES SLATED TO PARTICIPATE IN PORT MANAGEMENT SEMINAR, A TRADE PROMOTION EVENT SCHEDULED TO BE HELD IN DAMMAM OCTOBER 1-3. END SUMMARY

2. REF EMBTEL REPORTS SAG NEWS RELEASE ANNOUNCING SAUDI GOVERN7 MENT RAILROAD ORGANIZATION (SGRO) SIGNING ONE-YEAR CONTRACT WITH AMERICAN/SAUDI JOINT VENTURE WHICH GUARANTEES DISCHARGE OF TWO MILLION TONS OF CEMENT IN DAMMAM PORT STARTING WITH ITS SEPT 26
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PAGE 02 DHAHRA 01025 150721Z

MOBILIZATION DATE. AS SHIPS CARRYING CEMENT NOW MUST WAIT AROUND

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

120 DAYS TO BERTH AND THERE IS AN ESTIMATED 30 PERCENT LOSS OF
CARGO IN UNLOADING PROCESS, CONCEPT HAS MUCH MERIT.

3. FIRM SIGNING CONTRACT IS "OFFSHORE CONTRACTORS BERMUDA LIMITED,"
A JOINT VENTURE WITH MJAORITY INTEREST HELD IN UK. DIRECTING
COMPANY (AND HOLDER OF MINORITY INTEREST) IS AMCIT BERNIE DOUGHERTY,
ONE-TIME MATERIALS HANDLING EXPERT WITH BROWN AND ROOT AND, MORE
RECENTLY, REPORTED TO HAVE BEEN INVOLVED IN NORTHISE WILDCATTING
VENTURE. DOUGHERTY IS DESCRIBED BY ONE PORT TRANSPORTATION EXPERT,
WHO HAD CHANCE TO TALK WITH HIM IN JUNE, AS MAN WITH CONSIDERABLE
ABILITY AND A VERY SMOOTH TALKER. OFFSHORE, REPORTEDLY, OWNS TWO
LARGE "NORTH SEA" BARGES THAT ARE BEING ALTERED TO SERVE AS OFF-
SHORE BERTHS FOR SHIPS CARRYING CEMEMNT. EACH IS LARGE ENOUGH TO
BERTH TWO SHIPS AND WILL BE LOCATED AS CLOSE TO SHORE AS POSSIBLE.
WITH AID OF FORKLIFTS, PALLETIZED CEMENT WILL BE TRANSHIPPED
ON TO SMALLER BARGES WHICH, IN TURN, WILL BE DISCHARGED ON TO
DELONG PIERS (BARGE-LIKE PIECES OF EQUIPMENT THAT ARE FLOATED INM
PLACE AND JACKED UPON OCEAN FLOOR TO SERVE AS TEMPORARY BARGE
PORT OUTSIDE DAMMAM PORT AREA). WITH AID OF HALF RACKS OR HALF-
HIGH CONTAINERS, CEMENT IS TO BE SMOOTHLY OFF-LOADED INTO WAITING
TRUCKS WHICH, IN TURN, WILL DELIVER CEMENT TO CONSIGNEE'S DOORSTEP.
LABOR FOR PRXJECT IS TO BE FILIPINO AND THEY ARE TO BE SUPERVISED
BY EUROPEANS AND NORTH AMERICANS.

4. AT THIS TIME, ROUGHLY HALFWAY BETWEEN CONTRACT SIGNING
AND PROJECT STARTUP, DIRECTOR GENERAL OF SGRO IS BEGINNING TO
WONDER IF HE IS BEING HAD. IN AUGUST 9 CONVERSATION WITH CONGENOFF,
HE EXPLAINED THAT 40 DAYS AFTER CONTRACT SIGNING HE RECEIVED TELEX
FROM OFFSHORE REQUESTING CONTRACT MODIFICATION. OFFSHORE REQUESTED
THAT ITS PERFORMANCE BOND BE REDUCED FROM 10 TO 5 PERCENT OF TONNAGE
CLAUSE IN CONTRACT BE SLICED IN HALF NE ONE MILLION TONS (WITH
COMMENSURATE REDUCTION IN DOLLAR VALUE OF CONTRACT). DIRECTOR
GENERAL ASKED, "WHY DID COMPANY WAIT 40 DAYS TO REQUEST CONTRACT
CHANGE?" ANSWER TO QUESTION, PROVIDED IN CONFIDENCY BY SAUDI
PARTNER, IS THAT OFFSHORE IS ENCOUNTERING DIFFICULTY IN COMING UP
WITH THE PERFORMANCE BOND FUNDING. SGRO HAS AUTHORIZED REDUCTION
IN PERFORMANCE BOND AND PLANS TO HOLD OFFSHORE TO CONTRACT EVEN TO
POINT OF CALLING IN PERFORMANCE BOND. SAUDI PARTNER, TEYMOUR
ALIREAZ (REZAYAT TRADING) IS WORRIED ENOUGH ABOUT THIS THREAT
THAT HE IS CURRENTLY IN LONDON "IRONING OUT DETAILS" ACCORDING
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TO ONE SUBORDINATE.

5.IALTHOUGH WE DO NOT HAVE ALL TNS DETAILS, OFFSHORE IS EXPERIENC-
ING DELAYS IN HAVING THE NORTH SEA BARGES CONVERTED. ONE IS DUE OUT
OF THE YARDS IN A FEW DAYS AND IT WILL TAKE, WE UNDERSTAND, OVER
45 DAYS TO TOW IT TO DAMMAM. AT THE SAME TIME, THE FIRST DELONG
PIER IS BEING COMPLETED IN SINGAPORE AND IT TOO MUST BE TOWED TO
DAMMAM. ACCORDING TO ANOTHER ALIREZA AIDE, A MID-OCTOBER START-UP

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

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DATE IS "MORE MZULISTIC" AND IT MAY BE LATE 1976 BEFORE THE OPERATION REACHES ITS TARGETED DISCHARGE RATE OF 6,000 TONS PER DAY.

6. FOR LONDON: WOULD APPRECIATE EMBASSY VERIFYING THAT OFFSHORE IS INDEED BRITISH-REGISTERED COMPANY WITH MAJORITY OF SHARES HELD BY BRITISH SUBJECTS.IFOREGOING, REGARDING OWNERSHIP OF COMPANY, WAS PROVIDED BY REPRESENTATIVE OF SAUDI PARTNER, AND, WHILE WE BELIEVE HIYTHUPORT IS ACCURATE, IT WOULD BE HELPFUL TO HAVE IT CONFIRMED.

7. COMMENT: DELAYS AND PROBLEMS RELATING TO THIS CONTRACT WOULD BE OF LITTLE CONCERN TO CONGEN IF THERE WAS NOT AN AMERICAN INVOLVEMENT IN OFFSHORE WHICH HAS CAUSED PORT PEOPLE TO BELIEVE THAT IT IS AN AMERICAN COMPANY. AWKWARD ASPECT OF SITUATION IS THAT OVERSEAS IS NOT LIKELY TO LIVE UP TO ITS PROMISED START-UP DATE. THAT DATE OCCURS JUST A FEW DAYS BEFORE THE OCTOBER 1 OPENING OF A PORT MANAGEMENT SEMINAR IN DAMMAM THAT IS SPONSORED BY USDOC AND MANNED BY US COMPANIES HOPING TO SELL GOODS AND SERVICES TO SAG. MEANWHILE, POST HAS ALREADY BEGUN TO MAKE CLEAR TO KEY SAG OFFICIALS THAT OFFSHORE IS NOT ONE OF OURS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGREEMENTS, CARGO HANDLING
Control Number: n/a
Copy: SINGLE
Draft Date: 12 AUG 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: coburnhl
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976DHAHRA01025
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760313-0769
From: DHAHRAN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760861/aaaacbhc.tel
Line Count: 137
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 JIDDA 4761
Review Action: RELEASED, APPROVED
Review Authority: coburnhl
Review Comment: n/a
Review Content Flags:
Review Date: 24 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <24 MAY 2004 by buchant0>; APPROVED <08 SEP 2004 by coburnhl>
Review Markings:

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US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: DIFFICULTIES FACING BRITISH FIRM WITH CONTRACT TO OFFLOAD CEMENT OUTSIDE DAMMAM PORT
TAGS: BEXP, EWWT, EGEN, SA, OFFSHORE CONTRACTORS BERMUDA LTD
To: STATE COM
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006